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December 1, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station – 2<sup>nd</sup> Floor
Boston, Massachusetts 02110

Re: D.T.E. 03-47, Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company, NSTAR Gas Company, Pension/PBOP Adjustment Mechanism Tariff Filing

### Dear Secretary Cottrell:

Boston Edison Company ("Boston Edison"), Commonwealth Electric Company ("Commonwealth"), Cambridge Electric Light Company ("Cambridge") and NSTAR Gas Company ("NSTAR Gas") (together, "NSTAR" or the "Company") hereby file, for review and approval: (a) compliance tariffs to establish for each company a Pension/PBOP Adjustment Mechanism in accordance with the requirements of the Department of Telecommunications and Energy (the "Department") in Boston Edison Company, Commonwealth Electric Company, Cambridge Electric Light Company and NSTAR Gas Company, D.T.E. 03-47-A (2003) (the "Order"); and (b) the Company's first annual Pension/PBOP Adjustment Factors ("PAF") for effect January 1, 2004.

The four compliance tariffs are as follows:

<u>Boston Edison Company</u> – M.D.T.E. No. 109, Pension/PBOP Adjustment Mechanism

<u>Cambridge Electric Light Company</u> – M.D.T.E. No. 209, Pension/PBOP Adjustment Mechanism

<u>Commonwealth Electric Company</u> – M.D.T.E. No. 309, Pension/PBOP Adjustment Mechanism

NSTAR Gas Company – M.D.T.E. No. 406, Pension/PBOP Adjustment Mechanism

Motions for clarification and reconsideration have been filed by the Attorney General and NSTAR in this proceeding. However, the compliance tariffs and PAF filing are filed in accordance with the terms of the Order.

Mary L. Cottrell, Secretary December 1, 2003 D.T.E. 03-47 Page 2

The PAFs for January 1, 2004, computed in accordance with the Department's Order, are as follows:

### Pension/PBOP Adjustment Factor

<b>Boston Edison</b>	Cambridge	Commonwealth	NSTAR Gas
\$0.00089/kWh	\$0.00124/kWh	\$0.00076/kWh	\$0.0075/therm

The Company requests Department approval of the compliance tariffs and the 2004 PAFs.

### Compliance Tariffs

The compliance tariffs implement the Department's directives in the Order by eliminating the Average Differential Amount (Order at 29-30) and changing the carrying charges (Order at 44-45). In addition, the Company has made minor technical corrections and clarifications in response to questions raised during the hearing process (see e.g., Exhibit AG-1-53). All of the changes incorporated in these compliance tariffs are marked in Attachment 1, hereto.

### PAF Filing

The 2004 PAFs listed above are computed for each of the companies in accordance with the formula included in the tariffs and the directives of the Department set forth in the Order. The PAF calculation, Attachment 2, is generally in the format provided to the Department during the hearings in D.T.E. 03-47 (Exhibit DTE-1-4 (Rev)), adjusted for the changes required by the Department.

Lines 1 through 6 calculate the Reconciliation Adjustment for 2004. Because the Department disallowed amounts deferred during the first eight months of 2003 (Order at 33),<sup>2</sup> the Reconciliation Adjustment for 2004 includes the amounts deferred beginning in September and the unamortized deferrals for Boston Edison and Cambridge on December 31, 2002, which were previously allowed by the Department in D.P.U. 92-92 and D.P.U. 92-250. The total amount to be amortized (Line 5) is divided by three (Order at 24), 31 fn.26) to compute the Reconciliation Adjustment for 2004.

Lines 7 through 19 compute the carrying charges for pension and PBOP prepaid amounts. Lines 9 though 13 compute the average pension prepaid for 2003 (Lines 9 through 11), net of deferred taxes (Line 12). Similar calculations are performed for PBOPs in Lines 14 through 18 (the amount for PBOPs is actually an underpayment,

The determination is the subject of the Company's Motion for Reconsideration.

Mary L. Cottrell, Secretary December 1, 2003 D.T.E. 03-47 Page 3

which provides for carrying charges paid to customers). The approved cost of capital (Line 8) is multiplied by the sum of Lines 13 and 18 to compute the carrying charges on the prepaid amounts (Line 19).

Lines 20 through 27 similarly compute the carrying charges on pre-existing deferrals, net of deferred taxes (Lines 20 through 23) and deferrals, net of deferred taxes, accumulated in the last four months of 2003 (Lines 24 through 27). Line 28 computes the total amount of carrying charges included in the 2003 PAF.<sup>3</sup>

The total PAF is computed at Line 34 as the sum of the Reconciliation Adjustment (Line 6) and the carrying charges (Line 28). These amount are divided by forecast retail sales (Line 35) to compute the PAF to be applied to all retail sales (Line 36).

In addition to the calculation of the factors, the PAF filing also includes, as required by the tariffs (Section 1.06, Information Required to be Filed with the Department), a list of accounts in which pension and PBOP amounts are booked.<sup>4</sup>

As indicated above, the compliance tariffs and PAF filings comply with the Department's directives in its Order. Accordingly, the Company requests approval of the compliance tariffs and 2004 PAF for effect on January 1, 2004.

Thank you for your attention to this matter.

Very truly yours,

Robert J. Keegan

**Enclosures** 

cc: Service List, D.T.E. 03-47

Lines 29 through 33 would compute differences and interest (at prime rates) for reconciliation between forecasted and actual collections. Because this is the first year of the PAF, these lines are left blank.

The format of the list is the same as provided by the Company in Exhibit AG-1-56 in D.T.E. 03-47.

## **COMPLIANCE TARIFFS**

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### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

### 1.01 Purpose

The purpose of the Pension/PBOP Adjustment Mechanism is to provide Boston Edison Company ("Boston Edison" or the "Company") a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department of Telecommunications and Energy (the "Department"), its rates for customers of distribution service to recover costs associated with pension and post-retirement benefits other than pensions ("PBOPs") and to reconcile pension and PBOP expense amounts included in the Company's distribution rates with the total expense amounts booked by the Company pursuant to SFAS 87 and SFAS 106.

### 1.02 Applicability

This Pension/PBOP Adjustment Mechanism shall be applicable to Boston Edison and all firm electricity, as measured in kilowatthours ("kWhs"), delivered by the Company unless otherwise designated.

### 1.03 Effective Date of Annual Adjustment Factor

The date on which the annual Pension/PBOP Adjustment Factor ("PAF") becomes effective shall be the first day of each calendar year, unless otherwise ordered by the Department. The Company shall submit PAF filings as outlined in Section 1.06 of this tariff at least 30 days before the filing is to take effect.

### 1.04 Definitions

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

- (1) "Distribution Company" or "Company" is Boston Edison Company d/b/a NSTAR Electric Company.
- (2) "ERISA" is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.
- (3) "Pension Plan" is a Qualified Pension Plan, as defined by ERISA.
- (4) "Post Retirement Plan Other Than Pension Plan" is a Qualified PBOP, as defined by ERISA.

Issued by:

Thomas J. May

**President** 

Filed:

December 1, 2003

Effective:

### **RATE PAM-1**

### 1.04 <u>Definitions</u> (continued)

- (5) "Pre-Paid Amount" is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the amounts recognized in accordance with SFAS 87 and SFAS 106. These amounts are the Company's allocation of the total NSTAR amounts. The Pre-Paid Amount will be adjusted for amounts recognized and recovered in the Company's transmission costs of service in accordance with the approved FERC tariffs.
- (6) "Prior Year" is the calendar year previous to the effective date of a proposed PAF.
- (7) "Reconciliation Deferral" is the difference between: (1) the total pension and PBOP expense amounts included in the Company's rates (including both base rates and the PAF); and (2) the total expense amounts booked by the Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106.

### 1.05 Pension and PBOP Adjustment Factor Formula

 $PAF_x = (RA_x + cc(URD_x + APPA_x - DTA_x) + PPRA_x)/FkWh_x$ 

PAF = The annual Pension/PBOP Adjustment Factor.

 $RA_x$  = The Reconciliation Adjustment for  $Year_x$  is one-third of the Unamortized Reconciliation Deferral at the end of the Prior Year.

URD<sub>x</sub> = The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral that has not yet been collected in retail rates. At the beginning of Year<sub>x</sub> the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for the Prior Year; minus (3) the Reconciliation Adjustment for the Prior

Year.

cc = The Cost of Capital is the tax-effected weighted-average cost of capital as most recently approved by the Department. Until the Company's next general rate case following the effective date of this tariff, the Cost of Capital shall be 10.88 percent.

APPA<sub>x</sub> = The Average Pre-Paid Amount, for Year<sub>x</sub> is one half of the sum of: (1) the Pre-Paid Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid Amount to be recorded on the Company's books as of the end of the Prior Year.

Issued by:

Thomas J. May

**President** 

Filed: Effective: December 1, 2003 January 1, 2004

Page 3 of 3

### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

### 1.05 Pension and PBOP Adjustment Factor Formula (continued)

 $DTA_x =$  The Deferred Tax Amount is the deferred taxes associated with (i) the Average Pre-Paid Amount and (ii) the URD at the end of the Prior Year.

PPRA<sub>x</sub> = The Past Period Reconciliation Amount is the sum of: (a) the difference between (1) the amount of PAF revenue that should have been collected by the Company in the year preceding the Prior Year and the Prior Year; and (2) the amount of PAF revenue actually received by the Company in the year preceding the Prior Year and the Prior Year; and (b) the amount computed in clause (a) times the prime rate computed in accordance with 220 C.M.R. § 6.08(2).

FkWh<sub>x</sub> = The Forecasted kWhs is the forecasted amount of electricity to be distributed to the Company's distribution customers for the upcoming calendar year.

### 1.06 <u>Information Required to be Filed with the Department</u>

Information pertaining to the Pension Adjustment Mechanism shall be filed with the Department at least thirty (30) days before the date on which a new PAF is to be effective. Additionally, the Company will file with the Department a complete list by (sub)account of all Pension and PBOP Plan accounts claimed as recoverable through the PAF over the relevant calendar year. This information will be submitted with each annual PAF filing, along with complete documentation of the reconciliation-adjustment calculations.

### 1.07 <u>Customer Notification</u>

The Company will notify customers in simple terms of changes to the PAF, including the nature of the change and the manner in which the PAF is applied to the bill. In the absence of a standard format, the Company will submit this notice for approval at the time of each PAF filing. Upon approval by the Department, the Company must immediately distribute these notices to all of its distribution customers either through direct mail or with its bills.

Issued by:

Thomas J. May

President

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### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

### 1.01 Purpose

The purpose of the Pension/PBOP Adjustment Mechanism is to provide Cambridge Electric Light Company ("Cambridge" or the "Company") a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department of Telecommunications and Energy (the "Department"), its rates for customers of distribution service to recover costs associated with pension and post-retirement benefits other than pensions ("PBOPs") and to reconcile pension and PBOP expense amounts included in the Company's distribution rates with the total expense amounts booked by the Company pursuant to SFAS 87 and SFAS 106.

### 1.02 Applicability

This Pension/PBOP Adjustment Mechanism shall be applicable to Cambridge and all firm electricity, as measured in kilowatthours ("kWhs"), delivered by the Company unless otherwise designated.

### 1.03 Effective Date of Annual Adjustment Factor

The date on which the annual Pension/PBOP Adjustment Factor ("PAF") becomes effective shall be the first day of each calendar year, unless otherwise ordered by the Department. The Company shall submit PAF filings as outlined in Section 1.06 of this tariff at least 30 days before the filing is to take effect.

### 1.04 Definitions

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

- (1) "Distribution Company" or "Company" is Cambridge Electric Light Company d/b/a NSTAR Electric Company.
- (2) "ERISA" is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.
- (3) "Pension Plan" is a Qualified Pension Plan, as defined by ERISA.
- (4) "Post Retirement Plan Other Than Pension Plan" is a Qualified PBOP, as defined by ERISA.
- (5) "Pre-Paid Amount" is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the amounts recognized in accordance with SFAS 87 and SFAS 106. These amounts are the Company's allocation of the total NSTAR amounts. The Pre-Paid Amount will be adjusted for amounts recognized and recovered in the Company's transmission costs of service in accordance with the approved FERC tariffs.

Issued by:

Thomas J. May President

Filed:

December 1, 2003

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### **RATE PAM-1**

### 1.04 <u>Definitions</u> (continued)

- (6) "Prior Year" is the calendar year previous to the effective date of a proposed PAF.
- (7) "Reconciliation Deferral" is the difference between: (1) the total pension and PBOP expense amounts included in the Company's rates (including both base rates and the PAF); and (2) the total expense amounts booked by the Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106.

### 1.05 Pension and PBOP Adjustment Factor Formula

 $PAF_x = (RA_x + cc(URD_x + APPA_x - DTA_x) + PPRA_x)/FkWh_x$ 

PAF = The annual Pension/PBOP Adjustment Factor.

RA<sub>x</sub> = The Reconciliation Adjustment for Year<sub>x</sub> is one-third of the Unamortized Reconciliation Deferral at the end of the Prior Year.

URD<sub>x</sub> = The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral that has not yet been collected in retail rates. At the beginning of Year<sub>x</sub> the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for the Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.

cc = The Cost of Capital is the tax-effected weighted-average cost of capital as most recently approved by the Department. Until the Company's next general rate case following the effective date of this tariff, the Cost of Capital shall be 10.88 percent.

APPA<sub>x</sub> = The Average Pre-Paid Amount, for Year<sub>x</sub> is one half of the sum of: (1) the Pre-Paid Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid Amount to be recorded on the Company's books as of the end of the Prior Year.

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Thomas J. May

President

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December 1, 2003

**Effective:** 

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### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

### 1.05 Pension and PBOP Adjustment Factor Formula (continued)

 $DTA_x =$  The Deferred Tax Amount is the deferred taxes associated with (i) the Average Pre-Paid Amount and (ii) the URD at the end of the Prior Year.

PPRA<sub>x</sub> = The Past Period Reconciliation Amount is the sum of: (a) the difference between (1) the amount of PAF revenue that should have been collected by the Company in the year preceding the Prior Year and the Prior Year; and (2) the amount of PAF revenue actually received by the Company in the year preceding the Prior Year and the Prior Year; and (b) the amount computed in clause (a) times the prime rate computed in accordance with 220 C.M.R. § 6.08(2).

FkWh<sub>x</sub> = The Forecasted kWhs is the forecasted amount of electricity to be distributed to the Company's distribution customers for the upcoming calendar year.

### 1.06 <u>Information Required to be Filed with the Department</u>

Information pertaining to the Pension Adjustment Mechanism shall be filed with the Department at least thirty (30) days before the date on which a new PAF is to be effective. Additionally, the Company will file with the Department a complete list by (sub)account of all Pension and PBOP Plan accounts claimed as recoverable through the PAF over the relevant calendar year. This information will be submitted with each annual PAF filing, along with complete documentation of the reconciliation-adjustment calculations.

### 1.07 <u>Customer Notification</u>

The Company will notify customers in simple terms of changes to the PAF, including the nature of the change and the manner in which the PAF is applied to the bill. In the absence of a standard format, the Company will submit this notice for approval at the time of each PAF filing. Upon approval by the Department, the Company must immediately distribute these notices to all of its distribution customers either through direct mail or with its bills.

Issued by:

Thomas J. May

President

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December 1, 2003

**Effective:** 

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### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

### 1.01 Purpose

The purpose of the Pension/PBOP Adjustment Mechanism is to provide Commonwealth Electric Company ("Commonwealth" or the "Company") a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department of Telecommunications and Energy (the "Department"), its rates for customers of distribution service to recover costs associated with pension and post-retirement benefits other than pensions ("PBOPs") and to reconcile pension and PBOP expense amounts included in the Company's distribution rates with the total expense amounts booked by the Company pursuant to SFAS 87 and SFAS 106.

### 1.02 Applicability

This Pension/PBOP Adjustment Mechanism shall be applicable to Commonwealth and all firm electricity, as measured in kilowatthours ("kWhs"), delivered by the Company unless otherwise designated.

### 1.03 Effective Date of Annual Adjustment Factor

The date on which the annual Pension/PBOP Adjustment Factor ("PAF") becomes effective shall be the first day of each calendar year, unless otherwise ordered by the Department. The Company shall submit PAF filings as outlined in Section 1.06 of this tariff at least 30 days before the filing is to take effect.

### 1.04 Definitions

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

- (1) "Distribution Company" or "Company" is Commonwealth Electric Company d/b/a NSTAR Electric Company.
- (2) "ERISA" is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.
- (3) "Pension Plan" is a Qualified Pension Plan, as defined by ERISA.
- (4) "Post Retirement Plan Other Than Pension Plan" is a Qualified PBOP, as defined by ERISA.

Issued by:

Thomas J. May

President

Filed:

**December 1, 2003** 

Effective:

Page 2 of 3

### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

### 1.04 <u>Definitions</u> (continued)

- (5) "Pre-Paid Amount" is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the amounts recognized in accordance with SFAS 87 and SFAS 106. These amounts are the Company's allocation of the total NSTAR amounts. The Pre-Paid Amount will be adjusted for amounts recognized and recovered in the Company's transmission costs of service in accordance with the approved FERC tariffs.
- (6) "Prior Year" is the calendar year previous to the effective date of a proposed PAF.
- (7) "Reconciliation Deferral" is the difference between: (1) the total pension and PBOP expense amounts included in the Company's rates (including both base rates and the PAF); and (2) the total expense amounts booked by the Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106.

### 1.05 Pension and PBOP Adjustment Factor Formula

 $PAF_x = (RA_x + cc(URD_x + APPA_x - DTA_x) + PPRA_x)/FkWh_x$ 

PAF = The annual Pension/PBOP Adjustment Factor.

RA<sub>x</sub> = The Reconciliation Adjustment for Year<sub>x</sub> is one-third of the Unamortized Reconciliation Deferral at the end of the Prior Year.

URD<sub>x</sub> = The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral that has not yet been collected in retail rates. At the beginning of Year<sub>x</sub> the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for the Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.

The Cost of Capital is the tax-effected weighted-average cost of capital as most recently approved by the Department. Until the Company's next general rate case following the effective date of this tariff, the Cost of Capital shall be 10.88 percent.

Issued by:

Thomas J. May President

Filed: Effective:

December 1, 2003 January 1, 2004

Page 3 of 3

### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

### 1.05 Pension and PBOP Adjustment Factor Formula (continued)

- APPA<sub>x</sub> = The Average Pre-Paid Amount, for Year<sub>x</sub> is one half of the sum of: (1) the Pre-Paid Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid Amount to be recorded on the Company's books as of the end of the Prior Year.
- $DTA_x =$  The Deferred Tax Amount is the deferred taxes associated with (i) the Average Pre-Paid Amount and (ii) the URD at the end of the Prior Year.
- PPRA<sub>x</sub> = The Past Period Reconciliation Amount is the sum of: (a) the difference between (1) the amount of PAF revenue that should have been collected by the Company in the year preceding the Prior Year and the Prior Year; and (2) the amount of PAF revenue actually received by the Company in the year preceding the Prior Year and the Prior Year; and (b) the amount computed in clause (a) times the prime rate computed in accordance with 220 C.M.R. § 6.08(2).
- $FkWh_x =$  The Forecasted kWhs is the forecasted amount of electricity to be distributed to the Company's distribution customers for the upcoming calendar year.

### 1.06 <u>Information Required to be Filed with the Department</u>

Information pertaining to the Pension Adjustment Mechanism shall be filed with the Department at least thirty (30) days before the date on which a new PAF is to be effective. Additionally, the Company will file with the Department a complete list by (sub)account of all Pension and PBOP Plan accounts claimed as recoverable through the PAF over the relevant calendar year. This information will be submitted with each annual PAF filing, along with complete documentation of the reconciliation-adjustment calculations.

### 1.07 <u>Customer Notification</u>

The Company will notify customers in simple terms of changes to the PAF, including the nature of the change and the manner in which the PAF is applied to the bill. In the absence of a standard format, the Company will submit this notice for approval at the time of each PAF filing. Upon approval by the Department, the Company must immediately distribute these notices to all of its distribution customers either through direct mail or with its bills.

Issued by:

Thomas J. May

**President** 

Filed:

**December 1, 2003** 

Effective:

### **RATE PAM-1**

### 1.01 Purpose

The purpose of the Pension/PBOP Adjustment Mechanism is to provide NSTAR Gas Company ("NSTAR Gas" or the "Company") a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department of Telecommunications and Energy (the "Department"), its rates for customers of distribution service to recover costs associated with pension and post-retirement benefits other than pensions ("PBOPs") and to reconcile pension and PBOP expense amounts included in the Company's distribution rates with the total expense amounts booked by the Company pursuant to SFAS 87 and SFAS 106.

### 1.02 Applicability

This Pension/PBOP Adjustment Mechanism shall be applicable to NSTAR Gas and all firm gas, as measured in therms, delivered by the Company unless otherwise designated.

### 1.03 Effective Date of Annual Adjustment Factor

The date on which the annual Pension/PBOP Adjustment Factor ("PAF") becomes effective shall be the first day of each calendar year, unless otherwise ordered by the Department. The Company shall submit PAF filings as outlined in Section 1.06 of this tariff at least 30 days before the filing is to take effect.

### 1.04 Definitions

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

- (1) "Distribution Company" or "Company" is NSTAR Gas Company.
- (2) "ERISA" is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.
- (3) "Pension Plan" is a Qualified Pension Plan, as defined by ERISA.
- (4) "Post Retirement Plan Other Than Pension Plan" is a Qualified PBOP, as defined by ERISA.
- (5) "Pre-Paid Amount" is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the amounts recognized in accordance with SFAS 87 and SFAS 106. These amounts are the Company's allocation of the total NSTAR amounts.

Issued by:

Thomas J. May

President

Filed:

**December 1, 2003** 

Effective:

### **RATE PAM-1**

### 1.04 <u>Definitions</u> (continued)

- (6) "Prior Year" is the calendar year previous to the effective date of a proposed PAF.
- (7) "Reconciliation Deferral" is the difference between: (1) the total pension and PBOP expense amounts included in the Company's rates (including both base rates and the PAF); and (2) the total expense amounts booked by the Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106.

### 1.05 Pension and PBOP Adjustment Factor Formula

 $PAF_x = (RA_x + cc(URD_x + APPA_x - DTA_x) + PPRA_x)/Ftherm_x$ 

PAF = The annual Pension/PBOP Adjustment Factor.

 $RA_x$  = The Reconciliation Adjustment for  $Year_x$  is one-third of the Unamortized Reconciliation Deferral at the end of the Prior Year.

URD<sub>x</sub> = The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral that has not yet been collected in retail rates. At the beginning of Year<sub>x</sub> the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.

cc = The Cost of Capital is the tax-effected weighted-average cost of capital as most recently approved by the Department. Until the Company's next general rate case following the effective date of this tariff, the Cost of Capital shall be 10.88 percent.

APPA<sub>x</sub> = The Average Pre-Paid Amount, for Year<sub>x</sub> is one half of the sum of: (1) the Pre-Paid Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid Amount to be recorded on the Company's books as of the end of the Prior Year.

 $DTA_x =$  The Deferred Tax Amount is the deferred taxes associated with (i) the Average Pre-Paid Amount and (ii) the URD at the end of the Prior Year.

Issued by: Thomas J. May

President

Filed: Effective:

December 1, 2003 January 1, 2004

### **RATE PAM-1**

### 1.05 Pension and PBOP Adjustment Factor Formula (continued)

 $PPRA_x =$  The Past Period Reconciliation Amount is the sum of: (a) the difference between (1)

the amount of PAF revenue that should have been collected by the Company in the year preceding the Prior Year and the Prior Year; and (2) the amount of PAF revenue actually received by the Company in the year preceding the Prior Year and the Prior Year; and (b) the amount computed in clause (a) times the prime rate computed in

accordance with 220 C.M.R. § 6.08(2).

Ftherm<sub>x</sub> = The Forecasted Therms is the forecasted amount of therms to be distributed to the

Company's distribution customers for the upcoming calendar year.

### 1.06 <u>Information Required to be Filed with the Department</u>

Information pertaining to the Pension Adjustment Mechanism shall be filed with the Department at least thirty (30) days before the date on which a new PAF is to be effective. Additionally, the Company will file with the Department a complete list by (sub)account of all Pension and PBOP Plan accounts claimed as recoverable through the PAF over the relevant calendar year. This information will be submitted with each annual PAF filing, along with complete documentation of the reconciliation-adjustment calculations.

### 1.07 <u>Customer Notification</u>

The Company will notify customers in simple terms of changes to the PAF, including the nature of the change and the manner in which the PAF is applied to the bill. In the absence of a standard format, the Company will submit this notice for approval at the time of each PAF filing. Upon approval by the Department, the Company must immediately distribute these notices to all of its distribution customers either through direct mail or with its bills.

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Thomas J. May

President

Filed:

**December 1, 2003** 

Effective:

# ATTACHMENT 1 COMPLIANCE TARIFFS

(MARKED TO SHOW CHANGES)

Page 1 of 3

### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

### 1.01 Purpose

The purpose of the Pension/PBOP Adjustment Mechanism is to provide Boston Edison Company ("Boston Edison" or the "Company") a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department of Telecommunications and Energy (the "Department"), its rates for customers of distribution service to recover costs associated with pension and post-retirement benefits other than pensions ("PBOPs") and to reconcile pension and PBOP expense amounts included in the Company's distribution rates with the total expense amounts booked by the Company pursuant to SFAS 87 and SFAS 106.

### 1.02 Applicability

This Pension/PBOP Adjustment Mechanism shall be applicable to Boston Edison and all firm electricity, as measured in kilowatthours ("kWhs"), delivered by the Company unless otherwise designated.

### 1.03 Effective Date of Annual Adjustment Factor

The date on which the annual Pension/PBOP Adjustment Factor ("PAF") becomes effective shall be the first day of each calendar year, unless otherwise ordered by the Department. The Company shall submit PAF filings as outlined in Section 1.06 of this tariff at least 30 days before the filing is to take effect.

### 1.04 Definitions

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

- (1) "Distribution Company" or "Company" is Boston Edison Company d/b/a NSTAR Electric Company.
- (2) "ERISA" is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.
- (3) "Pension Plan" is a Qualified Pension Plan, as defined by ERISA.
- (4) "Post Retirement Plan Other Than Pension Plan" is a Qualified PBOP, as defined by ERISA.

Issued by:

Thomas J. May

President

Filed: April 16 December 1, 2003

Effective: May January 1, 20043

### **RATE PAM-1**

### 1.04 <u>Definitions (continued)</u>

- "Pre-Paid Amount" is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the amounts recognized in accordance with SFAS 87 and SFAS 106. These amounts are the Company's allocation of the total NSTAR amounts. The Pre-Paid Amount will be adjusted for amounts recognized and recovered in the Company's transmission costs of service in accordance with the approved FERC tariffs.
- (6) "Prior Year" is the calendar year previous to the effective date of a proposed PAF.

### 1.04 <u>Definitions</u> (continued)

(7) "Reconciliation Deferral" is the difference between: (1) the total pension and PBOP expense amounts included in the Company's rates (including both base rates and the PAF); and (2) the total expense amounts booked by the Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106.

### 1.05 Pension and PBOP Adjustment Factor Formula

 $PAF_x = (ADA + RA_x + cc(URD_x + APPA_x - DTA_x) + PPRA_x)/FkWh_x$ 

PAF = The annual Pension/PBOP Adjustment Factor.

ADA = The Average Differential Amount is the difference between: (1) one third of the sum of: (a) 2001 non capitalized pension cash contributions to the pension and PBOP trust funds; (b) 2002 non-capitalized pension cash contributions to the pension and PBOP funds; and (c) 2003 non-capitalized cash contributions to the pension and PBOP trust funds; and (2) the pension and PBOP expenses included in currently effective base distribution rates.

 $RA_x =$  The Reconciliation Adjustment for  $Year_x$  is one-third of the Unamortized Reconciliation Deferral at the end of the Prior Year.

URD<sub>x</sub> = The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral that has not yet been collected in retail rates. At the beginning of Year<sub>x</sub> the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for the Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.

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Filed: April 16 <u>December 1</u>, 2003 Effective: <u>May January</u> 1, 20043

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### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

cc =

The Cost of Capital is the tax-effected weighted-average cost of capital as most recently approved by the Department. Until the Company's next general rate case following the effective date of this tariff, the Cost of Capital shall be the amount applied to the fixed transition charge as part of the Company's restructuring plan approved by the Department in D.P.U./D.T.E. 96-2310.88 percent.

 $APPA_x =$ 

The Average Pre-Paid Amount, for Year<sub>x</sub> is one half of the sum of: (1) the Pre-Paid Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid Amount to be recorded on the Company's books as of the end of the Prior Year.

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Thomas J. May President

Page 4 of 3

### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

### 1.05 Pension and PBOP Adjustment Factor Formula (continued)

 $DTA_x =$ The Deferred Tax Amount is the deferred taxes associated with (i) the Average Pre-Paid Amount and (ii) the URD at the end of the Prior Year.

 $PPRA_x =$ The Past Period Reconciliation Amount is the sum of: (a) the difference between: (1) the amount of PAF revenue that should have been collected by the Company in the year preceding the Prior Year and the Prior Year; and (2) the amount of PAF revenue actually received by the Company in the year preceding the Prior Year and the Prior Year; and (b) the amount computed in clause (a) times the prime rate computed in accordance with 220 C.M.R. § 6.08(2).

 $FkWh_x =$ The Forecasted kWhs is the forecasted amount of electricity to be distributed to the Company's distribution customers for the upcoming calendar year.

### 1.06 Information Required to be Filed with the Department

Information pertaining to the Pension Adjustment Mechanism shall be filed with the Department at least thirty (30) days before the date on which a new PAF is to be effective. Additionally, the Company will file with the Department a complete list by (sub)account of all Pension and PBOP Plan accounts claimed as recoverable through the PAF over the relevant calendar year. This information will be submitted with each annual PAF filing, along with complete documentation of the reconciliation-adjustment calculations.

### 1.07 **Customer Notification**

The Company will notify customers in simple terms of changes to the PAF, including the nature of the change and the manner in which the PAF is applied to the bill. In the absence of a standard format, the Company will submit this notice for approval at the time of each PAF filing. Upon approval by the Department, the Company must immediately distribute these notices to all of its distribution customers either through direct mail or with its bills.

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Thomas J. May

President

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Page 1 of 3

### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

### 1.01 Purpose

The purpose of the Pension/PBOP Adjustment Mechanism is to provide Cambridge Electric Light Company ("Cambridge" or the "Company") a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department of Telecommunications and Energy (the "Department"), its rates for customers of distribution service to recover costs associated with pension and post-retirement benefits other than pensions ("PBOPs") and to reconcile pension and PBOP expense amounts included in the Company's distribution rates with the total expense amounts booked by the Company pursuant to SFAS 87 and SFAS 106.

### 1.02 Applicability

This Pension/PBOP Adjustment Mechanism shall be applicable to Cambridge and all firm electricity, as measured in kilowatthours ("kWhs"), delivered by the Company unless otherwise designated.

### 1.03 Effective Date of Annual Adjustment Factor

The date on which the annual Pension/PBOP Adjustment Factor ("PAF") becomes effective shall be the first day of each calendar year, unless otherwise ordered by the Department. The Company shall submit PAF filings as outlined in Section 1.06 of this tariff at least 30 days before the filing is to take effect.

### 1.04 Definitions

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

- (1) "Distribution Company" or "Company" is Cambridge Electric Light Company d/b/a NSTAR Electric Company.
- (2) "ERISA" is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.
- (3) "Pension Plan" is a Qualified Pension Plan, as defined by ERISA.
- (4) "Post Retirement Plan Other Than Pension Plan" is a Qualified PBOP, as defined by ERISA.
- (5) "Pre-Paid Amount" is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the amounts recognized in accordance with SFAS 87 and SFAS 106. These amounts are the Company's allocation of the total NSTAR amounts. The Pre-Paid Amount will be adjusted for amounts recognized and recovered in the Company's transmission costs of service in accordance with the approved FERC tariffs.

Issued by:

Thomas J. May President

### **RATE PAM-1**

### 1.04 <u>Definitions</u> (continued)

PAF =

- (6) "Prior Year" is the calendar year previous to the effective date of a proposed PAF.
- (7) "Reconciliation Deferral" is the difference between: (1) the total pension and PBOP expense amounts included in the Company's rates (including both base rates and the PAF); and (2) the total expense amounts booked by the Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106.

### 1.05 Pension and PBOP Adjustment Factor Formula

 $PAF_x = (ADA + RA_x + cc(URD_x + APPA_x - DTA_x) + PPRA_x)/FkWh_x$ 

The annual Pension/PBOP Adjustment Factor.

ADA = The Average Differential Amount is the difference between: (1) one third of the sum of: (a) 2001 non-capitalized pension cash contributions to the pension and PBOP trust funds; (b) 2002 non-capitalized pension cash contributions to the pension and PBOP funds; and (c) 2003 non-capitalized cash contributions to the pension and PBOP trust funds; and (2) the pension and PBOP expenses included in currently effective base distribution rates.

RA<sub>x</sub> = The Reconciliation Adjustment for Year<sub>x</sub> is one-third of the Unamortized Reconciliation Deferral at the end of the Prior Year.

URD<sub>x</sub> = The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral that has not yet been collected in retail rates. At the beginning of Year<sub>x</sub> the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for the Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.

The Cost of Capital is the tax-effected weighted-average cost of capital as most recently approved by the Department. Until the Company's next general rate case following the effective date of this tariff, the Cost of Capital shall be the amount applied to the fixed transition charge as part of the Company's restructuring plan approved by the Department in D.P.U./D.T.E. 96 2310.88 percent.

APPA<sub>x</sub> = The Average Pre-Paid Amount, for Year<sub>x</sub> is one half of the sum of: (1) the Pre-Paid Amount recorded on the Company's books as of the beginning of the Prior Year; and

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cc =

Thomas J. May President

### **RATE PAM-1**

(2) the Pre-Paid Amount to be recorded on the Company's books as of the end of the Prior Year.

### 1.05 Pension and PBOP Adjustment Factor Formula (continued)

 $DTA_x =$  The Deferred Tax Amount is the deferred taxes associated with <u>(i)</u> the <u>Average Pre-</u>Paid Amount and (ii) the URD at the end of the Prior Year.

PPRA<sub>x</sub> = The Past Period Reconciliation Amount is the <u>sum of: (a) the</u> difference between:
(1) the amount of PAF revenue that should have been collected by the Company in the year preceding the Prior Year and the Prior Year; and (2) the amount of PAF revenue actually received by the Company in the year preceding the Prior Year and the Prior Year; and (b) the amount computed in clause (a) times the prime rate computed in accordance with 220 C.M.R. § 6.08(2).

 $FkWh_x =$  The Forecasted kWhs is the forecasted amount of electricity to be distributed to the Company's distribution customers for the upcoming calendar year.

### 1.06 <u>Information Required to be Filed with the Department</u>

Information pertaining to the Pension Adjustment Mechanism shall be filed with the Department at least thirty (30) days before the date on which a new PAF is to be effective. Additionally, the Company will file with the Department a complete list by (sub)account of all Pension and PBOP Plan accounts claimed as recoverable through the PAF over the relevant calendar year. This information will be submitted with each annual PAF filing, along with complete documentation of the reconciliation-adjustment calculations.

### 1.07 Customer Notification

The Company will notify customers in simple terms of changes to the PAF, including the nature of the change and the manner in which the PAF is applied to the bill. In the absence of a standard format, the Company will submit this notice for approval at the time of each PAF filing. Upon approval by the Department, the Company must immediately distribute these notices to all of its distribution customers either through direct mail or with its bills.

Issued by:

Thomas J. May

President

Filed: April 16 December 1, 2003

Effective: May-January 1, 20034

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### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

### 1.01 Purpose

The purpose of the Pension/PBOP Adjustment Mechanism is to provide Commonwealth Electric Company ("Commonwealth" or the "Company") a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department of Telecommunications and Energy (the "Department"), its rates for customers of distribution service to recover costs associated with pension and post-retirement benefits other than pensions ("PBOPs") and to reconcile pension and PBOP expense amounts included in the Company's distribution rates with the total expense amounts booked by the Company pursuant to SFAS 87 and SFAS 106.

### 1.02 Applicability

This Pension/PBOP Adjustment Mechanism shall be applicable to Commonwealth and all firm electricity, as measured in kilowatthours ("kWhs"), delivered by the Company unless otherwise designated.

### 1.03 Effective Date of Annual Adjustment Factor

The date on which the annual Pension/PBOP Adjustment Factor ("PAF") becomes effective shall be the first day of each calendar year, unless otherwise ordered by the Department. The Company shall submit PAF filings as outlined in Section 1.06 of this tariff at least 30 days before the filing is to take effect.

### 1.04 **Definitions**

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

- (1) "Distribution Company" or "Company" is Commonwealth Electric Company d/b/a NSTAR Electric Company.
- (2) "ERISA" is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.
- (3) "Pension Plan" is a Qualified Pension Plan, as defined by ERISA.
- (4) "Post Retirement Plan Other Than Pension Plan" is a Qualified PBOP, as defined by ERISA.

Issued by:

Thomas J. May President

### **RATE PAM-1**

### 1.04 <u>Definitions</u> (continued)

- (5) "Pre-Paid Amount" is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the amounts recognized in accordance with SFAS 87 and SFAS 106. These amounts are the Company's allocation of the total NSTAR amounts. The Pre-Paid Amount will be adjusted for amounts recognized and recovered in the Company's transmission costs of service in accordance with the approved FERC tariffs.
- (6) "Prior Year" is the calendar year previous to the effective date of a proposed PAF.
- (7) "Reconciliation Deferral" is the difference between: (1) the total pension and PBOP expense amounts included in the Company's rates (including both base rates and the PAF); and (2) the total expense amounts booked by the Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106.

### 1.05 Pension and PBOP Adjustment Factor Formula

 $PAF_x = (ADA + RA_x + cc(URD_x + APPA_x - DTA_x) + PPRA_x)/FkWh_x$ 

PAF = The annual Pension/PBOP Adjustment Factor.

ADA = The Average Differential Amount is the difference between: (1) one-third of the sum of: (a) 2001 non-capitalized pension cash contributions to the pension and PBOP trust funds; (b) 2002 non-capitalized pension cash contributions to the pension and PBOP funds; and (c) 2003 non-capitalized cash contributions to the pension and PBOP trust funds; and (2) the pension and PBOP expenses included in currently effective base distribution rates.

- RA<sub>x</sub> = The Reconciliation Adjustment for Year<sub>x</sub> is one-third of the Unamortized Reconciliation Deferral at the end of the Prior Year.
- URD<sub>x</sub> = The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral that has not yet been collected in retail rates. At the beginning of Year<sub>x</sub> the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for the Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.
- cc = The Cost of Capital is the tax-effected weighted-average cost of capital as most recently approved by the Department. Until the Company's next general rate case

Issued by: Thomas J. May President

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### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

following the effective date of this tariff, the Cost of Capital shall be the amount applied to the fixed transition charge as part of the Company's restructuring plan approved by the Department in D.P.U./D.T.E. 96-2310.88 percent.

### 1.05 Pension and PBOP Adjustment Factor Formula (continued)

- APPA<sub>x</sub> = The Average Pre-Paid Amount, for Year<sub>x</sub> is one half of the sum of: (1) the Pre-Paid Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid Amount to be recorded on the Company's books as of the end of the Prior Year.
- $DTA_x =$  The Deferred Tax Amount is the deferred taxes associated with <u>(i)</u> the <u>Average Pre-Paid Amount and (ii)</u> the URD at the end of the Prior Year.
- PPRA<sub>x</sub> = The Past Period Reconciliation Amount is the <u>sum of: (a) the</u> difference between: (1) the amount of PAF revenue that should have been collected by the Company in the year preceding the Prior Year and the Prior Year; and (2) the amount of PAF revenue actually received by the Company in the year preceding the Prior Year and the Prior Year; and (b) the amount computed in clause (a) times the prime rate computed in accordance with 220 C.M.R. § 6.08(2).
- FkWh<sub>x</sub> = The Forecasted kWhs is the forecasted amount of electricity to be distributed to the Company's distribution customers for the upcoming calendar year.

### 1.06 <u>Information Required to be Filed with the Department</u>

Information pertaining to the Pension Adjustment Mechanism shall be filed with the Department at least thirty (30) days before the date on which a new PAF is to be effective. Additionally, the Company will file with the Department a complete list by (sub)account of all Pension and PBOP Plan accounts claimed as recoverable through the PAF over the relevant calendar year. This information will be submitted with each annual PAF filing, along with complete documentation of the reconciliation-adjustment calculations.

### 1.07 <u>Customer Notification</u>

The Company will notify customers in simple terms of changes to the PAF, including the nature of the change and the manner in which the PAF is applied to the bill. In the absence of a standard format, the Company will submit this notice for approval at the time of each PAF filing. Upon approval by the Department, the Company must immediately distribute these notices to all of its distribution

Issued by:

Thomas J. May President

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### PENSION/PBOP ADJUSTMENT MECHANISM

### **RATE PAM-1**

customers either through direct mail or with its bills.

Issued by:

Thomas J. May

President

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### **RATE PAM-1**

### 1.01 Purpose

The purpose of the Pension/PBOP Adjustment Mechanism is to provide NSTAR Gas Company ("NSTAR Gas" or the "Company") a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department of Telecommunications and Energy (the "Department"), its rates for customers of distribution service to recover costs associated with pension and post-retirement benefits other than pensions ("PBOPs") and to reconcile pension and PBOP expense amounts included in the Company's distribution rates with the total expense amounts booked by the Company pursuant to SFAS 87 and SFAS 106.

### 1.02 Applicability

This Pension/PBOP Adjustment Mechanism shall be applicable to NSTAR Gas and all firm gas, as measured in therms, delivered by the Company unless otherwise designated.

### 1.03 Effective Date of Annual Adjustment Factor

The date on which the annual Pension/PBOP Adjustment Factor ("PAF") becomes effective shall be the first day of each calendar year, unless otherwise ordered by the Department. The Company shall submit PAF filings as outlined in Section 1.06 of this tariff at least 30 days before the filing is to take effect.

### 1.04 Definitions

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

- (1) "Distribution Company" or "Company" is NSTAR Gas Company.
- (2) "ERISA" is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.
- (3) "Pension Plan" is a Qualified Pension Plan, as defined by ERISA.
- (4) "Post Retirement Plan Other Than Pension Plan" is a Qualified PBOP, as defined by ERISA.
- (5) "Pre-Paid Amount" is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the amounts recognized in accordance with SFAS 87 and SFAS 106. These amounts are the Company's allocation of the total NSTAR amounts.

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President

### **RATE PAM-1**

### 1.04 **Definitions** (continued)

- (6) "Prior Year" is the calendar year previous to the effective date of a proposed PAF.
- (7) "Reconciliation Deferral" is the difference between: (1) the total pension and PBOP expense amounts included in the Company's rates (including both base rates and the PAF); and (2) the total expense amounts booked by the Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106.

### 1.05 Pension and PBOP Adjustment Factor Formula

 $PAF_x = (ADA + RA_x + cc(URD_x + APPA_x - DTA_x) + PPRA_x)/Ftherm_x$ 

PAF =	The annual Pension/PBOP Adjustment Factor.
ADA =	The Average Differential Amount is the difference between: (1) one third of the sum of: (a) 2001 non capitalized pension cash contributions to the pension and PBOP trust funds; (b) 2002 non capitalized pension cash contributions to the pension and PBOP funds; and (c) 2003 non capitalized cash contributions to the pension and PBOP trust funds; and (2) the pension and PBOP expenses included in currently effective base distribution rates.
$RA_x =$	The Reconciliation Adjustment for Year <sub>x</sub> is one-third of the Unamortized Reconciliation Deferral at the end of the Prior Year.
$URD_x =$	The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral that has not yet been collected in retail rates. At the beginning of Year <sub>x</sub> the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.
cc =	The Cost of Capital is the tax-effected weighted-average cost of capital as most recently approved by the Department. Until the Company's next general rate case following the effective date of this tariff, the Cost of Capital shall be the amount applied to the working capital component of the Company's Cost of Gas Adjustment Clause 10.88 percent.
$APPA_x =$	The Average Pre-Paid Amount, for Year <sub>x</sub> is one half of the sum of: (1) the Pre-Paid Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid Amount to be recorded on the Company's books as of the end of the Prior Year.

Issued by: Thomas J. May President

### **RATE PAM-1**

 $DTA_x =$ 

The Deferred Tax Amount is the deferred taxes associated with (i) the <u>Average Pre-Paid Amount and (ii)</u> the URD at the end of the Prior Year.

### 1.05 Pension and PBOP Adjustment Factor Formula (continued)

 $PPRA_x =$ 

The Past Period Reconciliation Amount is the <u>sum of: (a) the difference</u> between: (1) the amount of PAF revenue that should have been collected by the Company in the year preceding the Prior Year and the Prior Year; and (2) the amount of PAF revenue actually received by the Company in the year preceding the Prior Year and the Prior Year; and (b) the amount computed in clause (a) times the prime rate computed in accordance with 220 C.M.R. § 6.08(2).

 $Ftherm_x =$ 

The Forecasted Therms is the forecasted amount of therms to be distributed to the Company's distribution customers for the upcoming calendar year.

### 1.06 Information Required to be Filed with the Department

Information pertaining to the Pension Adjustment Mechanism shall be filed with the Department at least thirty (30) days before the date on which a new PAF is to be effective. Additionally, the Company will file with the Department a complete list by (sub)account of all Pension and PBOP Plan accounts claimed as recoverable through the PAF over the relevant calendar year. This information will be submitted with each annual PAF filing, along with complete documentation of the reconciliation-adjustment calculations.

### 1.07 <u>Customer Notification</u>

The Company will notify customers in simple terms of changes to the PAF, including the nature of the change and the manner in which the PAF is applied to the bill. In the absence of a standard format, the Company will submit this notice for approval at the time of each PAF filing. Upon approval by the Department, the Company must immediately distribute these notices to all of its distribution customers either through direct mail or with its bills.

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Thomas J. May

**President** 

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# **PAF FILING**

### 2004 Pension Adjustment Factor Calculation (\$'s in millions)

			Boston	C	ambridge	Co	mmonwealth			
Line	Description	_	Edison		Electric		Electric	NS	TAR Gas	Description
	Col. A		Col. B		Col. C		Col. D		Col. E	Col. F
1	Unamortized Reconciliation Deferral at 12/31/2002	\$	4.198	\$	3.712	\$	-	\$		Per D.T.E. 03-47-A (Notes 1, 2)
2	2003 Pension & PBOP Expense Sept - Dec		13.221		0.650		3.685		3.901	Page 2, line 10
3	less: Pension & PBOP Expense Currently in Rates Sep - Dec		8.010	_	, 0.402	_	2.457		1.606	Exhibit NSTAR-JJJ-4(Rev), Col. D/3
4	2003 Reconciliation Deferral	_	5.211	_	0.248		1.228	_	2.295	Line 2 - Line 3
5	2003 Reconciliation Adjustment		9.409		3.960		1.228		2.295	Line 1 + Line 4
6	Reconciliation Adjustment For 2004	\$	3.136	\$	1.320	\$	0.409	\$	0.765	Line 5 / 3
7	Carrying Charge Calculation:	******					W 211			
8	Cost of Capital Factor		10.88%		10.88%		10.88%		10.88%	Per D.T.E. 03-47-A (Note 3)
9	Pension Prepaid at 12/31/2002	¢	156.780	¢	7.710	e	43.693	¢	46.263	Per Company Records
10	Pension Prepaid at 12/31/2003	Φ	176.768	J	8.693	J	49.263	Þ	52.161	Per Company Forecast
11	2003 Average Pension Prepaid	-	166,774		8.202	_	46.478		49.212	(Line 9 + Line 10) / 2
12	Deferred Tax on Pension		53.642		2.638		14.949		15.829	Line 11 * .82 * 0.39225
13	Pension Balance Subject to Carrying Charge	\$	113.132	\$	5.564	\$	31.529	<u> </u>	33.383	Line 11 - Line 12
	2 vision summer output to output of output	*	113.132	4	3.304	<u>-</u>	31.327	<u>-</u>	33.363	Lane 11 - Lane 12
14	PBOP Prepaid at 12/31/2002	\$	(32.031)	\$	(1.575)	\$	(8.927)	\$	(9.452)	Per Company Records
15	PBOP Prepaid at 12/31/2003	_	(32.618)	_	(1.604)		(9.090)	_	(9.625)	Per Company Forecast
16	2003 Average PBOP Prepaid		(32.325)		(1.590)		(9.008)		(9.538)	(Line 14 + Line 15) / 2
17	Deferred Tax on PBOP	_	(10.524)		(0.518)		(2.933)	_	(3.105)	Line 16 * .83 * 0.39225
18 r	PBOP Balance Subject to Carrying Charge	\$	(21.801)	\$	(1.072)	\$	(6.075)	\$	(6.433)	Line 16 - Line 17
19	Carrying Charge on Average Prepaid	\$	9.937	\$	0.489	\$	2.769	\$	2.932	((Line 13 + 18) * Line 8)
20	Existing Reconciliation Deferral	\$	4.198	\$	3.712	\$	-	\$		Line 1
21	Deferred Tax Amount		(1.647)		(1.456)		_			Line 20 * 0.39225
22	Balance Subject to Carrying Charge	\$	2.551	\$	2.256	\$	-	\$	-	Line 20 + Line 21
23	Carrying Charge on Existing Deferral Balance	\$	0.278	\$	0.245	\$	-	\$	-	Line 22 * Line 8
24	Unamortized Reconciliation Deferral at 12/31/03	\$	5.211	\$	0.248	\$	1.228	\$	2.295	Line 4
25	Deferred Tax Amount	_	(2.044)		(0.097)		(0.482)		(0.900)	Line 24 * 0.39225
26	Balance Subject to Carrying Charge	\$	3.167	\$	0.151	\$	0.746	\$	1.395	Line 24 + Line 25
27	Carrying Charge on 12/31/03 Deferral Balance	\$	0.115	\$	0.005	\$	0.027	\$	0.051	(Line 26 * Line 8) / 3
28	Total Carrying Charges	\$	10.329	\$	0.740	\$	2.796	\$	2.983	Line 19 + Line 23 + Line 27
29	2003 Actual Pension/PBOP Adjustment Amount		-		_		-		_	Line 34 prior year true-up
30	less: 2003 Actual Pension/PBOP Adjustment Revenue		_		-		-		<del>-</del> .	Example Data
31	Prior Period Reconciliation Amount		_		-		-		-	Line 29 - Line 30
32	Interest at Prime Rate		-		-		-		-	Prime rate as per 220 § 6.08(2)
33	Past Period Reconciliation Amount		-		-		_		-	Line 31 + Line 32
34	Forecasted 2004 Pension/PBOP Adjustment Amount		13.466		2.060		3,206		3.748	Line 6 + Line 28 + Line 33
35	Forecasted 2004 gWh (Mil. Therms for NSTAR Gas)		15,210		1,663		4,206		501	Per Company Forecast
36	2004 Pension/PBOP Adjustment Factor		0.00089		0.00124		0.00076		0.0075	Line 34 / Line 35

Note 1: Includes Boston Edison pension deferral of \$4.198 million from D.P.U. 92-92

Note 2: Includes Cambridge Electric deferral and carrying charges of \$3.712 million from phase-in of SFAS 106 (D.P.U 92-250)

Note 3: This before-tax factor is equal to the after-tax factor of 8.16 percent authorized by the Department.

2004 Pension Adjustment Mechanism

# Recoverable Pension and PBOP Plan Expenses For 2003 (\$'s in millions)

		NSTAR Electric		Cambridge	Commonwealth		
Line	Line Description	& Gas Co. *	Boston Edison	Electric	Electric	NSTAR Gas	Reference
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col G
-	Account 926 (2003 Sep Dec. estimate)		61%	3%	17%	<u>18%</u>	Company Allocation Percentage
7 π 4	Pension cost (Account 926100) Charged to Capital (Account 926100) Pension Expense	\$ 15.744 (3.936) \$ 11.808					Line 2 * -25% Sum of lines 2 and 3
\$	Recoverable Pension Plan Expense (926000 & 926760) **		\$ 7.203	\$ 0.354	\$ 2.007	\$ 2.125	Line 1 * Col B, Line 4
9 / 8	PBOP cost (Account 926320) Charged to Capital (Account 926320) PBOP Expense	\$ 13.154 (3.289) \$ 9.866					Line 6 * -25% Sum of lines 6 and 7
6	Recoverable PBOP Plan Expense (926000 & 926760) **		6.018	0.296	1.677	1.776	1.776 Line 1 * Col B, Line 8
10	Total Recoverable Pension and PBOP Plan Expenses		\$ 13.221 \$	\$ 0.650 \$	\$ 3.685 \$	\$ 3.901	Sum of lines 5 and 9

<sup>\*</sup> Total Benefits are charged to Operating Companies from NSTAR Electric & Gas Company. Recoverable amounts under this mechanism include only the components of the accounts attributable to pension and PBOP.

<sup>\*\*</sup> Charges for company direct employees are in account 926000, while charges for service company employees are in account 926760.